

RISK MANAGEMENT & SURVEILLANCE SYSTEM

Corum Securities Ltd. (CSPL) is a broking house having more than 100 clients on its rolls doing transactions in the cash and futures segment and in both Exchanges, NSE & BSE. With such a large clientele base, it is imperative that a proper risk management service is in place to prevent untoward losses for both the Clients as well as the Broking entity. In order to avert the risk of client's default, presently, following system is followed.

Admission of Client :-

CSPL has a policy of admitting the client only upon completion of Know Your Client requirement and personal identification of client. The clients are admitted after due verification and reference of antecedents and information submitted in the Client Registration Form. No Clients are admitted 'off the streets'. All are through references from existing clients or management.

Collection of Margin:

The stock market in India have undergone into tremendous changes and one of the important change which has instilled greater confidence among investor in India and abroad is reduction of settlement period to one day and introduction of Depository System to eliminate the risk of bad paper. These changes have reduced the risk of default on broker. In spite of these changes, CSPL makes it a point to determine and fix exposure limits to each client, based on his financial and risk taking ability. This is determined from the financial documents collected from and the background of the clients. In the derivatives segment, cash/securities as per the List, is collected upfront from the client. MTM losses are collected on T+1 basis else the collateral margin is reduced to that extent and therefore their exposure limit. Scrips can be excluded from trading if they are on ban list or upon the discretion of the Management based on risk perception..

Surveillance at CSPL:

To aid in the task of Risk Management, it is essential to have an online mechanism that would alert us of the change in the Clients position, on a real time basis, as transactions take place.

Scrip-wise Surveillance

The Surveillance Team gives limit in a very conservative manner, especially, illiquid scrips. Trading in such scrips are discouraged and allowed on a case to case basis. Any limit accretion requests are first investigated and then upon being satisfied with the bonafide of the trade as well as the client, limits are accordingly increased.

Offline Surveillance:-

1. Unusually large volume is checked especially if the client has incurred a loss, or unusually high profits.
2. Where volumes are unusually high, they are compared with the total volume in the exchange for the day in that particular scrip, and such reporting is done to the Compliance Officer.
3. Price movement over a 3 / 6 months period is also tracked

Client-wise Surveillance:-

1. All the clients who have traded in the scrip placed in where there is unusual volume visa-vis average volumes are scrutinized for their other scrip dealings.
2. Looking at the general quality of scrips that they are dealing in, Surveillance Manager decides whether to continue to deal as a broker for that client or not.

Freezing/ Blocking of Account:-

We have informed to all of our clients as per the SEBI circular for placing request to freeze / block the trading account to our email id or compliance officer's mobile number.